

Myton City

Financial Statements

Year ending June 30, 2005

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Financial Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Myton City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of Myton City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Myton City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of Myton City as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the Myton City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the schedule of infrastructure, see Table of Contents for page numbers, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Aycock, Miles & Associates, CPAs

September 30, 2005

Management's Discussion and Analysis

As management of Myton City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2005.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$4,086,279 - \$553,814 = \$3,532,465$. Of this amount, $\$217,139$ is unrestricted and available to meet the City's ongoing obligations.
- The City had $\$520,731$ in long-term obligations at the closest year-end, an increase of $\$111,794$. The increase was a result of revenue bonds to finance a housing project.
- Fixed assets net of accumulated depreciation increased $\$346,708$ largely due to construction of rental housing units, purchase of a backhoe and a truck.
- Net assets increased by $\$166,177$ from the prior year.
- The City's total assets of $\$4,086,279$ were 8% unrestricted cash and receivables.
- Current assets exceed current liabilities at closest year-end: $\$279,598 - \$66,959 = \$212,639$.
- Total liabilities exceed current assets at closest year-end: $\$553,814 - \$279,598 = \$274,216$.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the City is general administration, roads, and fire department. The City's business-type activities include a utility and a housing fund.

Government-wide financial statements can be found later in this report, see the Table of Contents for page numbers.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. The City considers all three governmental funds to be major funds.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Proprietary funds—Of the two type of proprietary funds, enterprise and internal service funds, the City maintains two individual enterprise funds, a utility fund and a housing fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the governmental fund balance sheet and the proprietary fund statement of revenues, expenditures, and changes in net assets for these three proprietary funds. The City considers both of these proprietary funds to be major funds.

The proprietary fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report please see the Table of Contents for page numbers.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$3,532,465 at the close of the most recent fiscal year.

The largest portion of the City's net assets was capital assets. Unrestricted net assets accounted for 6.1% of the City's total net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets (funds restricted for roads and debt reserves, etc.) comprised 4.8%. Capital assets comprised 89.1% of total net assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

<u>Net Assets</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2005	2004	2005	2004
Current and other assets	\$ 143,448	\$ 138,838	\$ 275,207	\$ 226,030
Net capital assets	2,248,100	2,099,153	1,419,524	1,221,763
Total assets	2,391,548	2,237,991	1,694,731	1,447,793
Current liabilities	19,050	31,670	47,909	47,375
Long-term liabilities	-	-	486,855	372,829
Total liabilities	19,050	31,670	534,764	420,204
Net assets:				
Capital assets, net of related debt	2,248,100	2,094,347	898,794	817,369
Restricted	29,376	43,072	139,057	124,839
Unrestricted	95,022	68,902	122,117	85,381
Total net assets	\$ 2,372,498	\$ 2,206,321	\$ 1,159,968	\$ 1,027,589

Capital projects are, for the most part, fully funded by grants and loans, City participation, and property tax revenues which exceed remaining operating and administration expenses.

Government activities—Key elements of the governmental activities and business-type activities are as follows.

<u>Change in Net Assets</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2005	2004	2005	2004
Program revenues:				
Charges for services	\$ 2,673	\$ 2,737	\$ 181,396	\$ 151,558
Operating grants	62,734	74,784	122,916	30,690
Capital grants	211,117	139,543	-	-
General revenues:				
Property taxes	12,431	20,812	-	-
Sales tax	74,661	50,856	-	-
Other taxes	31,849	25,817	-	-
Miscellaneous revenues	11,516	490	(951)	-
Earnings on investments	1,870	1,068	4,221	2,734
Total revenues	408,851	316,107	307,583	184,982
Expenses:				
General government	55,493	50,883	-	-
Fire	39,971	23,044	-	-
Roads	112,376	116,392	-	-
Parks, recreation & public property	14,064	12,343	-	-
Buildings and maintenance	20,770	18,962	-	-
Water	-	-	85,121	117,506
Sewer	-	-	46,372	48,713
Garbage	-	-	22,569	24,329
Housing	-	-	21,142	12,720
Total expenses	242,674	221,624	175,204	203,268
Increase in net assets	\$ 166,177	\$ 94,483	\$ 132,379	\$ (18,286)

Operating and capital grants will vary year to year based on project funding. Administration expenses remained relatively consistent. Public safety, roads, and culture and recreation vary from year to year depending on various projects.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are two types of funds: governmental funds and proprietary funds.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$120,342, an increase of \$12,725 in comparison with the prior year. This total fund balance amount is \$29,376 reserved and \$90,967 unreserved. Unreserved fund balances are available for spending at the government's discretion. The large decrease in overall fund balance occurred due to the improvement of some roads.

At the most recent fiscal year, the fund balance of the general fund was \$81,214, an increase of \$25,383; the debt service fund was \$9,753, an increase of \$1,039; and the capital projects fund was \$29,376, a decrease of \$13,696.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, reserved fund balance of the general fund was \$0 and unreserved fund balance was \$81,214. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 67% of total general fund expenditures excluding capital outlay.

Proprietary funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The balance of net assets of the utility fund consisted of unrestricted net assets of \$105,432, restricted of \$139,057, and capital assets, net of related debt, of \$893,304. The balance of net assets of the housing fund consisted of unrestricted net assets of \$16,685, restricted of \$0, and capital assets, net of related debt, of \$5,489. The utility fund's net assets increased \$127,084 and the housing's net assets increased \$5,295. Other factors concerning the finances of these two proprietary funds have already been addressed in the discussion of the City's business-type activities.

Fund Budgetary Highlights

Amendments may be made to the funds' original budgets to more accurately reflect the expected expenses and revenue as the year progresses. The City increased its budget during the most recent fiscal year by \$11,000 to more adequately reflect the expenses of the city. The City exceeded its budget in one department by a total of \$395.

Capital Asset and Debt Administration

Capital assets—As of June 30, 2005, the City's investment in capital assets for its governmental activities amounts to \$2,248,100 (net of accumulated depreciation) and \$1,419,524 (net of accumulated depreciation) for its proprietary activities. These capital assets are land, land improvements, buildings, transportation equipment, office equipment, and utility systems. Net capital assets of governmental activities increased \$148,947 because the purchase of a Pierce pumper truck, loader, and the construction of a skate park exceeded depreciation. Proprietary activities increased \$197,761 because housing construction exceeded depreciation expense.

<u>Net Capital Assets</u>	<u>Governmental Activities</u>		<u>Business-type activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 5,469	\$ 5,469	\$ 31,572	\$ 31,572
Buildings & equipment, net	<u>2,242,631</u>	<u>2,093,684</u>	<u>1,387,952</u>	<u>1,190,191</u>
Total capital assets, net	<u>\$ 2,248,100</u>	<u>\$ 2,099,153</u>	<u>\$ 1,419,524</u>	<u>\$ 1,221,763</u>

Long-term debt--The City had long-term debt activity for ten notes payable during the year.

	<u>2005</u>	<u>2004</u>
Governmental Funds:		
G.O. Bond	\$ -	\$ 4,806
Total Principle Outstanding	-	4,806
Less: Current Portion	-	(4,806)
Total Long-term Debt	-	-
Enterprise Funds:		
Olene Walker Housing Loan	393,641	252,041
G.O. Bond, Water	52,000	75,000
Revenue Bonds, Water	<u>75,090</u>	<u>77,090</u>
Total Principle Outstanding	520,731	404,131
Less: Current Portion	<u>(33,875)</u>	<u>(31,302)</u>
Total Long-term Debt	<u>486,855</u>	<u>372,829</u>
Total Long-term Debt, All Funds	<u>\$ 486,855</u>	<u>\$ 372,829</u>

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year is relatively similar to the most recent year's actual expenses. The construction of the housing project is complete and will not carry over into the next year, however, there are some grant monies being obtained for revitalization of some of the City's park facilities. The tax rates are set to reach the same budgeted revenues.

Infrastructure Assets

The City has elected to depreciate its infrastructure over a 35 year period, generally.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's clerk, Myton City, P.O. Box 185, Myton, Utah 84052 or by phone at (435) 722-2711.

Myton City
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities
ASSETS		
Current Assets:		
Cash	\$ 104,862	\$ 116,333
Accounts receivable—property taxes	17,136	-
Accounts receivable--other, net of allowance	331	18,300
Prepaid Assets	221	-
Intergovernmental receivable	20,898	339
Miscellaneous current assets	-	1,179
Total Current Assets	143,448	136,151
Non-current Assets:		
Cash restricted, sinking and reserve funds	-	139,057
Land (non depreciable)	5,469	31,572
Infrastructure (depreciable)	1,742,307	-
Buildings & equipment, net of accumulated depreciation	500,324	1,387,952
Total Non Current Assets	2,248,100	1,558,581
Total Assets	<u>\$ 2,391,548</u>	<u>\$ 1,694,731</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,661	\$ 8,137
Accrued payroll and payroll taxes	1,652	-
Deferred revenue & customer deposits	-	5,897
Deferred property tax revenue	12,737	-
Current portion note payable	-	33,875
Total Current Liabilities	19,050	47,909
Non Current Liabilities:		
General obligation & revenue bonds	-	486,855
Total Non Current Liabilities	-	486,855
Total Liabilities	19,050	534,764
NET ASSETS		
Invested in capital assets, net of related debt	2,248,100	898,794
Restricted (i.e. C roads, Capital Projects)	29,376	139,057
Unrestricted	95,022	122,117
Total Net Assets	2,372,498	1,159,967
Total Liabilities & Net Asset Balances	<u>\$ 2,391,548</u>	<u>\$ 1,694,731</u>

Myton City
STATEMENT OF ACTIVITIES
For the year ending June 30, 2005

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	
					Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 55,493	\$ 1,309	\$ 3,260	\$ -	\$ (50,925)	\$ -
Fire	39,971	286	24,470	201,117	185,901	-
Roads	112,376	-	35,004	-	(77,372)	-
Parks, recreation, and public property	14,064	1,079	-	10,000	(2,985)	-
Buildings and maintenance	20,770	-	-	-	(20,770)	-
Total Governmental Activities	242,674	2,673	62,734	211,117	33,850	-
Business-type Activities:						
Water	85,121	92,157	-	122,916	-	129,952
Sewer	46,372	39,171	-	-	-	(7,200)
Garbage	22,569	23,859	-	-	-	1,290
Total Utility	154,062	155,187	-	122,916	-	124,041
Housing	21,142	26,209	-	-	-	5,067
Total Business-type Activities	175,204	181,396	-	122,916	-	129,108
Total Primary Government	\$ 417,879	\$ 184,069	\$ 62,734	\$ 334,033	\$ 33,850	\$ 129,108
						\$ 162,957
General Revenues:						
Property taxes					12,431	-
Sales tax					74,661	-
Other Taxes					31,849	-
Miscellaneous revenues					11,516	(951)
Earnings on investments					1,870	4,221
Transfers					-	-
Total General Revenues					132,327	3,271
Change in Net Assets					166,177	132,379
Beginning Net Assets					2,206,321	1,027,589
Ending Net Assets					\$ 2,372,498	\$ 1,159,967
						\$ 3,532,465

See accompanying notes. Page 11

Myton City
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total Fund Balances for Governmental Funds **\$ 120,343**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land	5,469	
Infrastructure	3,280,218	
Buildings & equipment	788,444	
Accumulated depreciation	<u>(1,826,031)</u>	
		2,248,100

Long-term debt, for funds other than enterprise funds, are recorded in the government-wide financial statements but not in the fund statements.

Deferred property tax revenue includes delinquent property taxes in the fund statements but not in the government-wide statements.

4,055

Total Net Assets of Governmental Activities **\$ 2,372,498**

Myton City
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ending June 30, 2005

Net Change in Fund Balances--Total Governmental Funds **\$ 12,725**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	277,922	
Book cost of retirement of assets	(3,333)	
Depreciation	<u>(125,642)</u>	
Net		148,947

Change in delinquent taxes, government funds do not report delinquent taxes as revenue because these revenues are not available for current period expenses. (302)

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

4,806

Change in Net Assets of Governmental Activities **\$ 166,177**

Myton City
BALANCE SHEET--GOVERNMENTAL FUNDS
June 30, 2005

	Governmental Funds			Total
	General Fund	Debt Service Fund	Capital Projects Fund	
Assets				
Cash	\$ 65,733	\$ 9,753	\$ 29,376	\$ 104,862
Accounts receivable--property taxes	17,136	-	-	17,136
Allowances for doubtful accounts	-	-	-	-
Accounts receivable--other	331	-	-	331
Due from other governments	20,898	-	-	20,898
Prepaid assets	220	-	-	220
Total Assets	<u>\$ 104,318</u>	<u>\$ 9,753</u>	<u>\$ 29,376</u>	<u>\$ 143,447</u>
Liabilities				
Accounts payable	\$ 4,661	\$ -	\$ -	\$ 4,661
Accrued payroll liabilities	1,652	-	-	1,652
Deferred revenue & customer deposits	-	-	-	-
Deferred property tax revenue	16,791	-	-	16,791
Total Liabilities	<u>23,104</u>	<u>-</u>	<u>-</u>	<u>23,104</u>
Fund Balances				
Fund Balances:				
Reserved for capital projects	-	-	29,376	29,376
Reserved for roads	-	-	-	-
Unreserved	81,214	9,753	-	90,967
Total Fund Balances	<u>81,214</u>	<u>9,753</u>	<u>29,376</u>	<u>120,343</u>
Total Liabilities & Fund Balances	<u>\$ 104,318</u>	<u>\$ 9,753</u>	<u>\$ 29,376</u>	<u>\$ 143,447</u>

Myton City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS**
 Year Ending June 30, 2005

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Taxes	\$ 119,243	\$ -	\$ -	\$ 119,243
Licenses and permits	1,365	-	-	1,365
Charges for services	1,309	-	-	1,309
Intergovernmental	273,851	-	-	273,851
Royalties and interest	1,645	225	-	1,870
Miscellaneous revenues	14,850	-	-	14,850
Total Operating Revenue	412,261	225	-	412,486
Expenditures				
General government	54,125	-	-	54,125
Fire	17,215	-	-	17,215
Roads	17,108	-	-	17,108
Parks, recreation, and public property	7,746	-	-	7,746
Buildings and maintenance	20,770	-	-	20,770
Capital outlay	235,226	-	42,696	277,922
Debt Service:				
Principal	4,806	-	-	4,806
Interest	70	-	-	70
Total Operating Expenditures	357,065	-	42,696	399,761
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,196	225	(42,696)	12,725
Other Financing Sources and (Uses)				
Operating transfers in (out)	(29,813)	813	29,000	-
Net Change in Fund Balances	25,383	1,039	(13,696)	12,725
Fund Balances--Beginning of Year	55,831	8,715	43,072	107,617
Fund Balances--End of Year	\$ 81,214	\$ 9,753	\$ 29,376	\$ 120,342

Myton City
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL--GENERAL FUND
Year Ending June 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 88,286	\$ 88,286	\$ 119,243	\$ 30,957
Licenses and permits	1,300	1,300	1,365	65
Charges for services	800	800	1,309	509
Intergovernmental	306,680	306,680	273,851	(32,829)
Royalties and interest	1,000	1,000	1,645	645
Miscellaneous revenues	200	200	14,850	14,650
Total Operating Revenue	398,266	398,266	412,261	13,995
Expenditures				
General government	50,697	54,397	54,125	272
Fire	20,684	21,484	17,215	4,269
Roads	18,196	18,196	17,108	1,088
Buildings and public property	34,395	23,195	20,770	2,425
Parks, cemetery & recreation	36,391	7,351	7,746	(395)
Capital outlay, all departments	192,190	238,930	235,226	3,704
Debt service				
Principal	4,900	4,810	4,806	4
Interest	-	90	70	20
Total Operating Expenditures	357,453	368,453	357,065	11,388
Excess of Revenues Over (Under)				
Operating Expenditures	40,813	29,813	55,196	25,383
Other Financing Sources and (Uses)				
Operating transfers in (out)	(40,813)	(29,813)	(29,813)	-
Excess of Revenues and Other				
Financing Sources Over (Under)				
Expenditures & Other Financing	-	-	25,383	25,383
Fund Balances--Beginning of Year	55,831	55,831	55,831	-
Fund Balances--End of Year	\$ 55,831	\$ 55,831	\$ 81,214	\$ 25,383

Myton City
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
June 30, 2005

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Utility</u>	<u>Housing</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 98,176	\$ 18,157	\$ 116,333
Intergovernmental receivable	339	-	339
Accounts receivable, customers	25,940	1,675	27,616
Allowance for doubtful accounts receivable	(7,640)	(1,675)	(9,315)
Miscellaneous current assets	-	1,179	1,179
Total Current Assets	116,815	19,335	136,151
Non Current Assets:			
Cash restricted, sinking and reserve funds	139,057	-	139,057
Capital assets:			
Land	26,552	5,020	31,572
Buildings, equipment, & construction in progress	127,813	399,943	527,756
Water System	954,871	-	954,871
Sewer System	1,120,297	-	1,120,297
Accumulated depreciation	(1,209,139)	(5,833)	(1,214,972)
Total Non Current Assets	1,159,451	399,130	1,558,581
Total Assets	<u>\$ 1,276,266</u>	<u>\$ 418,465</u>	<u>\$ 1,694,731</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 5,487	\$ 2,650	\$ 8,137
Deferred revenue & customer deposits	5,897	-	5,897
Current portion note payable	27,000	6,875	33,875
Total Current Liabilities	38,384	9,525	47,909
Non Current Liabilities:			
Bonds payable	100,090	386,765	486,855
Total Non Current Liabilities	100,090	386,765	486,855
Total Liabilities	138,474	396,291	534,764
NET ASSETS			
Invested in capital assets, net of related debt	893,304	5,489	898,794
Restricted	139,057	-	139,057
Unrestricted	105,432	16,685	122,117
Total Net Assets	1,137,793	22,175	1,159,967
Total Liabilities & Net Asset Balances	<u>\$ 1,276,266</u>	<u>\$ 418,465</u>	<u>\$ 1,694,731</u>

Myton City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ending June 30, 2005

	<u>Proprietary Funds</u>		
	<u>Utility</u>	<u>Housing</u>	<u>Totals</u>
Operating Revenues			
Charges for services	143,512	-	143,512
Miscellaneous	11,675	26,209	37,884
Total operating revenues	155,187	26,209	181,396
Operating Expenses			
Wages and benefits	35,780	5,326	41,107
Repairs, maintenance, & supplies	13,708	1,700	15,408
Utilities	1,531	4,921	6,451
Water purchases	21,113	-	21,113
Depreciation	52,977	5,833	58,810
Travel	1,613	-	1,613
Insurance	2,128	1,042	3,170
Garbage pickup	22,569	-	22,569
Interest expense	585	-	585
Other	2,058	2,320	4,378
Total operating expenses	154,062	21,142	175,204
Operating income (loss)	1,125	5,067	6,192
Non-Operating Revenue (Expenses)			
Gain/Loss on sell of assets	(951)	-	(951)
Interest and royalties revenue	3,994	228	4,221
Total non-operating revenue (expense)	3,043	228	3,271
Other Revenues (Expenses)			
Grants for equipment	122,916	-	122,916
Net Income (Loss)	127,084	5,295	132,379
Retained earnings-beginning	1,010,709	16,880	1,027,589
Retained earnings-ending	<u>\$ 1,137,793</u>	<u>\$ 22,175</u>	<u>\$ 1,159,967</u>

See accompanying notes. Page 18

Myton City
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ending June 30, 2005

	Proprietary Funds		Total
	Utility	Housing	
Cash Flows from Operations			
Receipts from services	\$ 157,669	\$ 25,430	\$ 183,099
Paid for labor and wages	(35,780)	(5,326)	(41,106)
Paid for supplies and services	(69,563)	(7,526)	(77,089)
Bond interest payments	(848)	-	(848)
Net Cash Flows	51,478	12,578	64,056
Cash Flows from Non-Capital Financing			
Donations and operating grants	-	-	-
Net Cash Flows	-	-	-
Cash Flows from Capital Financing			
Principal payments--revenue bonds	(25,000)	(6,302)	(31,302)
Loan proceeds	-	147,902	147,902
Capital grants received	122,916	-	122,916
Net Cash Flows	97,916	141,600	239,516
Cash Flows from Investing Activities			
Acquisition of assets	(109,865)	(147,657)	(257,522)
Change in debt sinking funds	(14,218)	-	(14,218)
Received from interest and royalties	3,994	228	4,222
Net Cash Flows	(120,089)	(147,429)	(267,518)
Net Increase (Decrease) in Cash	29,305	6,749	36,054
Cash Balances -- Beginning of Year	68,871	11,408	80,279
Cash Balances -- End of Year	<u>\$ 98,176</u>	<u>\$ 18,157</u>	<u>\$ 116,333</u>
Reconciliation of Operating Income to Net Cash Provided from Operating Activity			
Operating income (loss)	\$ 1,125	\$ 5,067	\$ 6,192
Operating items not involving cash:			
Depreciation	52,977	5,833	58,810
(Increase) decrease in accounts receivable	1,873	400	2,273
(Increase) decrease in prepaids	-	(1,179)	(1,179)
Increase (decrease) in deferred revenues	609	-	609
Increase (decrease) in payables	(4,843)	2,457	(2,386)
Increase (decrease) in accrued interest	(263)	-	(263)
Net Cash Flow	<u>\$ 51,478</u>	<u>\$ 12,578</u>	<u>\$ 64,056</u>

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 Summary of Significant Accounting Policies

Reporting Entity—The accounting policies of Myton City conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is the government's fund to account for capital projects and overhead that can be submitted to grantors for reimbursement.

The City reports the following major proprietary funds:

The *utility fund* is used to account for the activities regarding culinary water distribution, the operations of the sewer system, and the collection and disposal of garbage.

The *housing fund* is used to account for the operations of the City's housing projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Indirect charges are not allocated to their various functions because the City maintains a general administration function to capture indirect costs.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's two proprietary funds are service charges to customers for sales or service. The City also recognizes as revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible amounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “due to/from other funds” (i.e., current portion of interfund loans) or “advances from/to other funds” (i.e., the non-current portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes—The property tax revenue of the City is collected and distributed by Duchesne County. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The City recognizes motor vehicle fees as property tax revenue when collected by the County.

As of June 30, 2005, property taxes receivable by the City includes uncollected taxes assessed as of the January 1, 2004 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the City may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is not depreciated. A modified approach will be used to disclose infrastructure activity.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Housing Buildings	60
Water and sewer mains	50
Water and sewer structures	40
Buildings and Improvements	40
Infrastructure	35
Transportation and power operated equipment	12
Machinery and equipment	10
Office furniture	7
Office equipment	5
Computer equipment	3

Compensated Absences—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the City. The following procedures are used in establishing the budgetary data:

- Towards the end of each fiscal year, the council prepares the budget for all applicable funds.
- Copies of the budget are made available for public inspection for seven days prior to adoption.
- The Board holds a public hearing on or before June 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- By June 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted by June 22. A copy of the budget is certified by the budget officer and filed with County Auditor within thirty days of adoption.
- The proposed or final tax rate must also be submitted to the County Auditor by June 22. If the City sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing has been held. Until the hearing is held and a final budget and tax rate are adopted, the City may expend monies based on, 1) its tentative budget after adoption, or 2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to the County Auditor within thirty days of adoption). Budgeted property taxes are the basis for determining the property tax levy.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 Capital Assets

A summary of capital asset activity is listed below. These figures include the proprietary funds.

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Proprietary Funds:				
Utility	\$ 2,142,733	\$ 117,166	\$ (30,365)	\$ 2,229,533
Housing	257,306	147,657	-	404,963
Sub-total	2,400,039	264,823	(30,365)	2,634,496
Governmental Funds:				
General government	54,496	-	(7,767)	46,729
Fire	283,908	174,320	(6,148)	452,080
Roads	3,273,444	58,696	(29,922)	3,302,218
Parks, recreation and public property	228,198	44,906	-	273,104
Sub-total	3,840,046	277,922	(43,837)	4,074,131
Accumulated Depreciation:				
Proprietary funds	(1,178,276)	(58,810)	22,114	(1,214,972)
Governmental funds	(1,740,892)	(125,642)	40,503	(1,826,030)
Sub-total	(2,919,168)	(184,452)	62,617	(3,041,002)
Net Totals	\$ 3,320,917	\$ 358,293	\$ (11,584)	\$ 3,667,626

Depreciation expense for the year ended June 30, 2005 was allocated to functions of the City's governmental activities and proprietary activities as follows:

<u>Governmental Funds</u>	
General government	\$ 1,368
Fire	22,756
Roads	95,198
Parks, recreation and public property	6,320
Total	<u>\$ 125,642</u>

<u>Proprietary Funds</u>	
Utilities:	
Water	\$ 28,692
Sewer	24,285
Garbage	-
Housing	5,833
Total	<u>\$ 58,810</u>

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$0 of the City's bank balances of \$70,413 was uninsured and uncollateralized. The City's carrying balance for deposits was \$65,157.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

As of June 30, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 295,094	\$ 295,094	\$ -	\$ -	\$ -

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 295,094	\$ -	\$ -	\$ -	\$ 295,094

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 4 Long-term Obligations

Changes in long-term obligations for Myton City are as follows:

Long-term Obligation	June 30, 2004	Additions	Deletions	June 30, 2005	Current Portion
<u>Governmental Funds</u>					
A--Bonds payable, due in annual installments of \$4806 through fiscal year 2005; interest at 1.5%	\$ 4,806	\$ -	\$ (4,806)	\$ -	\$ -
<u>Enterprise Funds</u>					
B--Olene Walker Housing Loans, due in monthly installments of \$572.92 through fiscal year 2063; interest at 0%	252,041	147,902	(6,302)	393,641	6,875
C--Bonds payable - G O Water, due in annual installments ranging from \$26,493 to \$27,743 through fiscal year 2007; interest at 4.18%	75,000	-	(23,000)	52,000	25,000
D--Bonds payable - BOWR revenue, due in annual installments ranging from \$2,000 to \$27,150, through fiscal year 2009; interest at 0%	77,090	-	(2,000)	75,090	2,000
Totals	<u>\$ 408,937</u>	<u>\$ 147,902</u>	<u>\$ (36,108)</u>	<u>\$ 520,731</u>	<u>\$ 33,875</u>

The general fund typically pays governmental fund debt. The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

Year	Principal	Interest
2006	\$ 33,875	\$ 2,173
2007	61,025	743
2008	33,625	-
2009	26,065	-
2010	6,875	-
2011-15	34,375	-
2016-20	34,375	-
2021-25	34,375	-
2026-30	34,375	-
2031-35	34,375	-
2036-40	34,375	-
2041-45	34,375	-
2046-50	34,375	-
2051-55	34,375	-
2056-60	34,375	-
2061-63	15,514	-
Totals	<u>\$ 520,731</u>	<u>\$ 2,915</u>

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 5 Revenue Bond Sinking and Reserve Funds

Certain assets of the Utility Fund have been restricted. Restrictions are for customer deposits in the amount of \$5,897 and \$133,160 which are in the sinking funds.

Note 6 Exposures to Risks of Loss

The City minimizes its exposure to risks of loss through the purchase of commercial insurance. The City considers uninsured exposure to risks of loss as immaterial.

Note 7 Segment Information

The City issued revenue bonds to finance its utility fund (water department) and housing fund. The water, sewer, and garbage departments are accounted for in the Utility fund and the housing operations in the Housing fund. However, investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Segment information for the year ended June 30, 2005 is included in the Statement of Activities.

Note 8 Interest Expense

Interest expenses have been included as direct function expenses in the Statement of Activities. The streets and road function of the general fund were charged \$70 and the utility fund was charged \$585.

Note 9 Employer contributing to a Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. For July 2004 to June 2005, plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0.00% of their annual coverage salary (0.00% is paid by the City for the employee) and the City is required to contribute 11.090% of their annual coverage salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Myton City
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Contributions. The City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were as follows. The contributions were equal to the required contributions for each year.

Salary Subject to Retirement Contributions	Year Ended June 30	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions
43,763	2005	n/a	-	4,853
-	2004	n/a	-	-
-	2003	n/a	-	-

The City does participate in a 401(k) plan. These assets are in the employees name and the City has no right to the 401(k) contributions.

Note 8 Interfund Transfers

Funds were transferred to the capital projects fund from the general fund for the purpose of capital outlay.

Other Information



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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**Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With Government Auditing Standards**

City Council
Myton, Utah

We have audited the financial statements of Myton City as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Ballard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

September 30, 2005



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Utah State Compliance Report

City Council
Myton, Utah

We have audited the general purpose financial statements of Myton City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. Our audit included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Property Tax

Cash Management
Budgetary Compliance
Other Compliance Requirements

As part of our audit, we have audited Myton City's compliance with the requirements governing types of services allowed or disallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2005. The City did not receive any major State assistance programs from the State of Utah.

The management of City of Myton is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance.

In our opinion, the Myton City, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended June 30, 2005.

Aycock, Miles & Associates, CPAs

September 30, 2005